

# Memorandum

**To:** Mayor Ringhand and Common Council

**Cc:** Department Heads

**From:** Bill Connors, City Administrator  
882-2263

**Date:** Nov. 15, 2005

**Re:** Overview of Most Recently Revision of Proposed 2006 City Operating and Capital Budgets

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This memorandum provides an overview of the proposed 2006 city operating and capital budget as amended by the Finance and Labor Relations Committee on November 7, 2005. The Common Council held a public hearing regarding the proposed budget on November 8, 2005, and then tabled a motion to approve the budget ordinance.

Attached to this memorandum is a spreadsheet comparing the original 2005 city operating budget and the amended 2005 city operating budget to the proposed 2006 city operating budget, excluding Tax Incremental Districts No. 4 and 5 and the wastewater treatment, water and electric utilities.

Also attached to this memorandum is a spreadsheet containing the proposed 2006 city operating and capital budgets. Consistent with amendments the Common Council made to the adopted 2005 city operating and capital budgets, appropriations for expenditures in the proposed 2006 city operating budget are presented at the “cost center” level. Appropriations for expenditures in the capital budget will continue to be presented at the “expenditure account” level, although the attached spreadsheet does not yet contain this level of detail for capital expenditures.

As city staff prepared the proposed 2006 city operating budget, we gave consideration to continuing to decrease the property tax rate on equalized (full market) value, complying with the levy limit imposed by the state, and ensuring that the city’s operating expenditures fall within the state’s expenditure restraint guideline, while continuing to provide basic public services.

The primary sources of increased expenditures in the proposed 2006 city operating budget are a 7.0% increase in dental insurance premiums, increased fuel and utility costs, and a 3.5% increase in wages under the city’s collective bargaining agreements with its employees.

Attached to this memorandum is an updated spreadsheet summarizing the proposed property tax levies that will provide much of the revenue to fund the proposed 2006 city operating and capital budgets. Please note that this spreadsheet now contains the total assessed value of all property in the city as of January 1, 2005, the assessment ratio, and a calculation of the city’s final mill rate.

## **Property Tax Levies**

The proposed budget includes an increase in the overall city property tax levy of \$106,881 (6.165%), comprising the following changes in the amounts of individual levies: General Fund will increase by \$43,413 (4.86%), library will increase by \$7,443 (4.30%), emergency medical service will increase by \$23,679 (23.83%), cemetery will increase by \$378 (0.61%), capital projects will increase by \$9,590 (6.69%), and the debt service levy will increase by \$22,378 (6.165%). The 6.165% increase in the total city levy is the maximum increase allowed under the state levy limit. The total equalized value of property in the city increased by 6.165% (more than \$14 million) as a result of new construction from January 1, 2004, to January 1, 2005, according to the state Department of Revenue, and that percentage is the limit on the increase in the city's total property tax levy.

As a result of the large increase in the city's total assessed value from the recent revaluation, the city's mill rate (property tax rate) on assessed value will decrease dramatically. The city's mill rate will decrease from \$9.76 to \$6.68 per \$1,000 of assessed value, a decrease of \$3.08 per \$1,000 of assessed value (-31.52%). If the city's total property tax levy were applied to equalized (full market) value instead of assessed value, the city's property tax rate would decrease from \$7.52 to \$6.83 per \$1,000 of equalized value, a decrease of \$0.69 per \$1,000 of equalized value (-9.16%).

## **Total Operating Revenues**

Under the proposed 2006 operating budget, the overall operating revenues and other financing sources of the city, excluding Tax Incremental Districts No. 4 and 5 and the wastewater treatment, water and electric utilities, will increase from \$3,041,718 (under the original 2005 budget) to \$3,156,593, an increase of \$114,875 (3.8%). Total operating revenues (excluding transfers in and fund balance applied) will increase by \$157,875 (5.4%). Total General Fund revenues (excluding transfers in and fund balance applied) will increase by \$100,989 (3.9%). The most significant increases in sources of General Fund revenue are the increase in property tax levy discussed above, a \$67,885 increase (39.0%) in the payment in lieu of property taxes for the water and electric utilities, and a \$12,274 increase (8.0%) in the refuse and recycling special charge. The amount of general transportation aid the city will receive from the state in 2006 was reduced again, this time by \$9,528 (5.0%). The amount of general transportation aid is based on a six year rolling average of eligible costs reported by the city to the state, and the city has not been reporting enough eligible costs to the state to prevent the amount of aid from decreasing each year.

## **Total Operating Expenditures**

The proposed budget includes an \$114,875 increase (3.8%) in the overall operating expenditures of the city, excluding Tax Incremental Districts No. 4 and 5 and the wastewater treatment, water and electric utilities. Total General Fund expenditures will increase by \$56,989 (2.3%), including a \$55,000 transfer from the General Fund to the Capital Projects Fund. The limit on the increase in total budgeted General Fund expenditures from 2005 to 2006 under the state's

Expenditure Restraint Program is 5.3%. Consequently, the city will qualify for a state payment under this program in 2007.

General government expenditures will increase by \$35,359 (6.0%). The most significant increase in this area is in the amount appropriated for legal services, which will increase from \$18,345 under the original 2005 budget to \$40,000 under the proposed 2006 budget. An earlier amendment to the 2005 budget increased the amount appropriated for legal services to \$36,000, and a recently adopted amendment increased the amount appropriated to \$66,000.

The total proposed 2006 appropriations for general government expenditures, \$623,445, includes a \$55,000 operating transfer from the General Fund to the Capital Project Fund and a \$45,000 appropriation to pay a settlement in litigation in which the city was a defendant.

Public safety expenditures will increase by \$10,544 (1.1%). A part-time police department clerical position that was created in 2005 but never filled will be eliminated. The appropriation for the city's payment to the Evansville Community Fire District will increase by \$5,896 (5.07%), from \$116,249 to \$122,145.

Building inspection expenditures will increase by \$444 (2.8%).

Total public works expenditures will increase by \$3,660 (1.0%). Some wages and benefits that had been budgeted under public works in 2005 and earlier years are being budgeted under recycling and disposal or wastewater treatment in 2006 to better reflect anticipated actual expenditures.

Recycling and disposal expenditures will increase by \$12,274 (6.6%). Some of this increase is from shifting personnel costs from public works to recycling and disposal, and \$4,141 is from an increase in the amount paid for recycling and waste collection and hauling under the city's contract with Onyx Waste Services.

Parks and recreation expenditures will increase by \$13,358 (5.5%). The amount appropriated for the youth program currently operated at the Dean Community Center will increase from \$31,050 to \$33,550, an increase of \$2,500 (8.05%).

Conservation and development expenditures will **decrease** by \$20,850 (-21.0%). The amount appropriated for community planning services will decrease by \$27,000 (-47.4%). During 2005, the city has been paying Civi Tek LLC at a lower rate and has been charged for fewer hours for the services of Tim Schwecke as city planner than was anticipated when staff prepared the 2005 budget, so a reduction in the 2006 appropriation is appropriate based on actual experience. Some of this savings has been reallocated in the proposed 2006 budget to paying a consulting firm to study impact fees that the city currently is not collecting (such as an impact fee to pay for library expansion) and the first phase of implementing a GIS system at the city.

Health and human services expenditures will increase by \$2,164 (9.5%). The amount appropriated for payments to an independent contractor for coordination of transportation of senior citizens will increase from \$17,836 to \$20,000.

## Significant Revenue, Program, and Staffing Changes

The proposed 2006 city operating budget includes the following significant revenue, program, and staffing changes:

1. ***Recycling and Refuse.*** Recycling and refuse fee revenue will increase by \$12,274 (8.0%). The amount by which the annual fee paid by each homeowner will increase by approximately \$5, from \$94 to approximately \$99 (5.3%). At this time, we do not know precisely how much the charge to each homeowner will increase, because we have not yet received the information necessary to determine the number of households served. The purpose of the fee increase is to recover all costs of the recycling and refuse collection contract with Onyx Waste Services, plus the costs of tree and brush removal and fall leaf collection by public works staff, less recycling revenue received from the state and revenue from selling disposal tags and recycling bins.
2. ***Clerk/Treasurer.*** The total amount appropriated for salary and benefits will decrease by \$31,226 (21.2%) to reflect the elimination of the confidential clerk position in 2005. The appropriation for clerk/treasurer supplies have been decreased by \$1,300 (13.1%) for the same reason.
3. ***Elections.*** The amount appropriated for clerk/treasurer election expenses will increase by \$2,500 to reflect that in 2006, there will be elections for statewide office that generate relatively high voter turnout, whereas there were no such races in 2005. The proposed 2006 budget includes a \$5,000 appropriation for support and maintenance of new voting equipment mandated by the state.
4. ***Assessor.*** The amount appropriated for assessor services will decrease by \$13,799 to reflect the fact that the assessor was completing a citywide revaluation in 2005, whereas in 2006 the assessor's services will not include any work on a citywide revaluation.
5. ***Finance Director.*** The total amount appropriated for salary and benefits under the finance director will increase by \$44,103 (42.6%) to reflect the creation of the human resources administrator position in 2005. The appropriation for finance director expenses will increase by \$846 (92.2%) for the same reason and because \$200 has been added to this appropriation for an electronic service that provides wage and benefit data from comparable municipalities.
6. ***Other General Government.*** The appropriations for citizen committee stipends and FICA have been increased by \$2,445 (78.8%). Citizens who serve on city committees and boards currently are paid \$5 for each meeting they attend. The stipend for plan commissioners will be increased to \$25 per meeting and the stipend for citizen members of all other committees will be increased to \$10 per meeting. The appropriation for code legal update will increase by \$3,700 (160.9%), because the large number of ordinances enacted recently will require a relatively costly supplement to the Municipal Code.

7. ***Police Department.*** The appropriations for the salaries of part-time police department employees was increased in the 2005 budget to allow for the hiring of a half-time clerical assistant, but instead the police department hired a high school student from the co-op program, so the part-time clerical position has been eliminated under the proposed 2006 budget. The savings from eliminating this position has been offset to some extent by increasing the anticipated hours assigned to part-time officers by approximately 200 hours. The appropriation for vehicle fuel has been increased to reflect higher fuel costs.
8. ***Public Works.*** The appropriations for supplies and expenses, building utilities, and street lighting will increase to reflect higher fuel, natural gas, and electric costs.
9. ***Parks & Recreation.*** The appropriations for operating the Veterans Memorial Pool will increase by \$4,652 (5.5%) to allow for having one additional lifeguard on duty for approximately one-half of the hours the pool is open. This increase in staff on duty is necessary as a result of the recent enlargement of the pool to include a zero-depth entry area. Park store salary and FICA will increase by \$868 (over 20%) to allow for hiring an adult to supervise the operation of the park store.
10. ***Conservation and Development.*** The decrease in the appropriation for community planning services was discussed above. The revenue estimate for amounts that will be recovered from developers and other users of the city planner's services also has been reduced in the proposed 2006 budget based on actual experience during 2005.
11. ***Transfer to Capital Fund to Be Reserved for Future Lake Dredging.*** As was done in the last few budgets, the proposed 2006 budget includes an operating transfer from the General Fund to the Capital Project Fund using a reduction in the General Fund fund balance as the source of funds. In the proposed 2006 budget, the amount of the operating transfer is \$55,000. Unlike past years, the amount transferred into the Capital Project Fund will not be allocated to a 2006 capital project, but instead will be reserved for a future project to dredge Lake Leota.
12. ***Emergency Medical Services.*** The appropriations for EMS wages and benefits will increase by \$29,070 (22.9%) primarily as a result of increasing the on-call rate from \$1.50 per hour to \$2.00 per hour and increasing the appropriation for retirement costs to reflect that on-call emergency medical technicians may be eligible for a state pension contribution because hours in paid on-call status may count as hours worked for purposes of determining pension eligibility. These appropriations also will increase because we anticipate that the number of ambulance runs will increase with a second ambulance being available. The appropriation for billing and collection services will increase by \$9,500 (111.8%) as a result of changing the company that provides these services in order to obtain a greater rate of recovery for EMS services rendered. The appropriations for fuel, ambulance maintenance, and insurance will increase, in part because the EMS service now has two ambulances instead of one. The city's property tax levy will fund 46.4% of EMS operations under the proposed 2006 budget, compared with 43.4% under the original 2005 budget. Payments from the townships covered by the EMS service will

fund 10.3% of EMS operations under the 2006 budget, compared with 12.0% under the original 2005 budget.

13. **Library.** The Library Board has requested a 4.3% increase in the library levy to fund increased staffing costs. The Library Board and the Library Director will provide additional information in support of this request.